

**FORM 04-611 - ALASKA CORPORATION NET INCOME TAX RETURN****INSTRUCTIONS****CONTENTS**

If You Need Help	1
Internet Home Page	1
Automated Tax Payments	1
Avoid Common Mistakes	1

**GENERAL INSTRUCTIONS****I. Basic Filing Procedures**

Who Must File	2
Which Form to Use	2
Affiliated Group Defined	2
Small Business Corporation (S Corporation)	2
Partnership	2
Limited Liability Company (LLC)	2
Inactive Corporation	2
Exempt Organization	2
Water's Edge Filing	2
Filing a Consolidated Return	2
Attachment of Federal Return	3

**II. Water's Edge Combined Reports**

Combined Report	3
Water's Edge Method of Reporting	3
Unitary Group or Unitary Business	3
Allocation and Apportionment of Income	3
Preparing a Consolidated Return	4
Combined Affiliates Having Different Accounting Periods	4

**III. Other General Instructions**

Return Due Date	4
Extension of Time to File	4
Payment Due Date	4
Where to Send the Return	4
Who Must Sign	4
Estimated Tax	4
Payment of Tax	4
Large Payments	4
Alaska Interest Rates on Tax Due	4
Amended Returns	4
Adjustments to Federal Income	
Tax Liability	5
Late Filing of Return	5
Late Payment of Tax	5
Disclaimer Regarding Federal Changes	5

**SPECIFIC INSTRUCTIONS****Form 04-611**

Taxpayer Identification	5
Contact Person	5
Alaska Corporation File #	5
Return Data	5

**Schedule A - Net Income Tax Summary**

Alaska Net Operating Loss	5
Incentive Credits	5

**Schedule B - Taxpayer Information**

Affiliated Taxpayer Information	6
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**Schedule C - Tax Payment Record** 6**Schedule D - Alaska Tax Computation** 6**Schedule E - Other Taxes** 6**Schedule H - Computation of Alaska Income**

Line 1, Federal Taxable Income	6
Line 2, Affiliated Taxpayers	6
Line 10, Income Allocated to Alaska	7
Line 11, Alaska Items	7

**Schedule I - Apportionment Factor** 7

Property Factor	7
Payroll Factor	7
Sales Factor	7

**Schedule J, Alaska Capital and Section 1231  
Gains and Losses** 7**Schedule K, Alaska Charitable Contribution  
Deduction** 7**Schedule L, Alaska Dividends-Received  
Deduction (DRD)** 8**Short Form 04-611 SF  
Return Data** 8**Schedule A - SF**  
Credits 8  
Alaska Education Credit 8**Schedule B - SF** 8**Schedule D - SF** 8**IF YOU NEED HELP**

If you have questions not addressed in these instructions, need additional information, or require other assistance, contact the department by telephone at: (907) 465-2320 in Juneau; or (907) 269-6620 in Anchorage.

**INTERNET HOME PAGE**

Current tax forms, instructions, and our Guide to Returns Based on a Combined Report are available on our Internet home page. Our URL is:

[www.tax.state.ak.us](http://www.tax.state.ak.us)

**AUTOMATED TAX PAYMENTS**

The Alaska State Automated Payments (ASAP) system allows taxpayers to pay their tax by telephone toll free. To enroll, call 1.800.204.6394 or visit our web site at:

[www.tax.state.ak.us/Forms/index.htm#asap](http://www.tax.state.ak.us/Forms/index.htm#asap)  
The enrollment process takes two to three weeks.

**AVOID COMMON MISTAKES**

To facilitate the processing of the return, be sure to do the following:

1. The water's edge combined reporting method is mandatory in Alaska. Do not file using a world-wide combined reporting method.

2. Use the correct form and schedules. Non-affiliated corporations operating solely in Alaska are encouraged to use the short form, Form 04-611SF. All other corporations must use the standard Form 04-611.

3. Unless the corporation changed its name, enter the name as it appeared in the prior return. If this is a consolidated return, see specific instructions on page 5 regarding taxpayer identification. If the name on this return is different from the name reported on the prior return, complete question 4 of Schedule B (standard Form 04-611 only).

4. Accurately complete all "RETURN DATA" questions on page one. You must know the answers to these questions to file accurately. We need this data to process the returns efficiently. Do not assume that because the corporation filed using the short form last year, that it is eligible to use the short form this year.

5. Provide the name and phone number of a contact person who can answer any question that we may have regarding the return. This must be an officer or employee who is authorized to answer any such questions. Generally, we cannot discuss taxpayer information with an outside party unless we have a Power of Attorney.

6. Complete all taxpayer data on page one and all affiliate taxpayer data on Schedule B (standard Form 04-611 only). Refer to instructions on page 5 for assistance in finding Alaska Corporation File #'s.

7. If this taxpayer and one or more other Alaska taxpayers are included in a consolidated federal return, these same taxpayers must file a consolidated Alaska return if they are members of the same unitary group. If the federal common parent is not an Alaska taxpayer, identify the common parent on Schedule B, question 2.

8. Attach schedules as instructed in the forms. Schedules providing detail, by company, are required where specified in the forms. Attaching complete schedules will ensure a valid filing and prevent unnecessary correspondence with our examination unit. Be sure that attached schedules are properly referenced and

agree to the totals reported on the form. Taxpayers using the combined method of reporting should consult Alaska's **Guide to Returns Based on a Combined Report** for a listing of schedules supporting a combined report.

9. Attach a copy of the signed federal income tax return of the taxpayer as filed with the Internal Revenue Service. If the taxpayer is included in a federal consolidated return, attach the consolidated return and not the taxpayer's separate company return. Do not attach a pro forma return. Send only the portions of the federal return specified in the instructions on page 3 if the federal return exceeds 50 pages.

10. To avoid interest and penalties, pay any tax due within two and one-half months of the tax year-end and file the return within thirty (30) days of the due date for the federal return. Note that the thirty days may or may not correspond to the 15th day of the following month.

## **GENERAL INSTRUCTIONS**

### **I. BASIC FILING PROCEDURES**

#### **WHO MUST FILE**

Every corporation having taxable nexus with the state must file an Alaska Corporation Net Income Tax Return. Taxable nexus, sometimes referred to as "doing business" within the state, is the act of conducting business activity within the state that is not protected under Public Law 86-272. Taxable nexus may exist as a result of a corporation's direct activity, the activity of its employees or agents, or through its interest in a partnership or limited liability company. Taxable nexus may include, but is not limited to:

- owning or using property in the state, including leased or mobile property;
- presence of employees in the state for business purposes;
- making sales into the state; or
- the generation of income from sources within the state without regard to whether there is a physical presence in the state.

In addition, Alaska requires that a corporation registered to do business in the state must file a report even if it did not have taxable nexus with Alaska during the tax year (see instructions on page 3 for "Inactive Corporation").

#### **WHICH FORM TO USE**

Form 04-611 is the standard Alaska Corporation Net Income Tax Return form designed to accommodate any taxpayer including the most complex filing under the water's edge method. The standard form must be used whenever the taxpayer 1) has taxable

nexus or business activity outside of Alaska, or 2) is a member of an affiliated group.

The short form, Form 04-611SF, is designed for taxpayers with less complex filing requirements. The short form is available to taxpayers that 1) conduct business only in Alaska, **and** 2) are not a member of an affiliated group.

#### **AFFILIATED GROUP DEFINED**

An affiliated group is a group of corporations in which 50% or more of the voting stock of each member of the group is directly or indirectly owned by one or more corporate or non-corporate common owner(s), or by one or more of the members of the group.

#### **SMALL BUSINESS CORPORATION (S CORPORATION)**

An S Corporation doing business in Alaska is required to file an Alaska return. Generally, an S Corporation will satisfy its filing requirement by filing the applicable Form 04-611 (pages 1 and 2) or Form 04-611SF (page 1) with the S Corporation box on page one checked. Alaska does not impose a tax on the S Corporation for pass-through items of income or loss. Schedule A lines 1-20 need not be completed unless a corporate level tax is applicable. Attach a copy of pages 1 through 4 of the federal Form 1120S and Form 7004 if applicable.

Alaska imposes both the federal excess net passive income tax and the corporate level tax on built-in gains. These taxes are calculated at the highest Alaska marginal tax rate of 9.4%. However, the Alaska capital gains rate of 4.5% may apply in some cases. If corporate level taxes are imposed, attach copies of the schedules and forms calculating the federal tax and the Alaska tax. Enter the corporate level taxes on Schedule E – SF, line 4, or Schedule E, line 7 as appropriate.

#### **PARTNERSHIP**

A partnership doing business in the state with one or more corporate partners must file an information return. To file, submit the following portions of the partnership's federal return, Form 1065:

- 1) A copy of the signed Form 1065, pages 1 through 4, with "Alaska" marked at the top of page one.
- 2) A copy of Schedule K-1 for each corporate partner.

Note: All corporate partners of partnerships doing business in Alaska must file an Alaska Corporation Net Income Tax Return.

#### **LIMITED LIABILITY COMPANY (LLC)**

An LLC doing business in the state must file an Alaska return consistent with its federal tax status. If the LLC is characterized as a corporation for federal income tax purposes, the LLC must file a return in accordance with the instructions

applicable to corporations. An LLC with corporate member(s), that is characterized as a partnership for federal income tax purposes, must follow the instructions applicable to partnerships with corporate partners. An LLC taxable as a partnership, but which has no corporate members, is not required to file a return or report.

#### **INACTIVE CORPORATION**

A corporation with no business activity in Alaska and no income from Alaska sources must file an information report if it is registered with the Alaska Department of Community & Economic Development or has an Alaska business license. This requirement may be satisfied in one of two ways:

1) If the corporation is affiliated with an Alaska taxpayer, this reporting requirement may be satisfied by reporting the inactive corporation on Schedule B, question #1 of the affiliated taxpayer's return. If so, do not check "Yes" for "information report of an inactive corporation" on page one of Form 04-611 of the active taxpayer's return.

2) To report separately, complete Form 04-611 or 04-611SF, page one only and check "Yes" for "information report of an inactive corporation." Schedules A through L need not be completed. No other attachments are required.

Note: The filing of an information report for an inactive corporation does not constitute the filing of a return.

#### **EXEMPT ORGANIZATION**

An exempt organization is subject to the Alaska Corporation Net Income Tax to the same extent it is subject to tax under the Internal Revenue Code. If a federal tax is imposed, complete Form 04-611 or 04-611SF reporting the taxable income and calculating the tax. Attach a signed copy of Form 990-T. If no federal tax is imposed, the exempt organization need not file an Alaska return.

#### **WATER'S EDGE FILING**

A corporation that is a member of an affiliated group must file using the water's edge method of reporting. The use of the water's edge combined method is required by Alaska; it is not elective. Refer to instructions on this page explaining the water's edge method of reporting.

#### **FILING A CONSOLIDATED RETURN**

Two or more Alaska taxpayers included in the same federal consolidated return, who are engaged in a common unitary business,

must file a consolidated Alaska return. Additionally, any two or more taxpayers, engaged in a common unitary business may elect to file a consolidated return if they qualify to join in a consolidated federal return. Foreign corporations are treated as domestic corporations for purposes of determining eligibility to file a consolidated Alaska return. If any two taxpayers engaged in a common unitary business join in filing a consolidated Alaska return, all eligible taxpayers of the common unitary business must be included in the consolidated return.

#### **ATTACHMENT OF FEDERAL RETURN**

A corporation must provide a complete copy of the signed federal income tax return (Form 1120, 1120S, 990-T, etc.) which includes the corporation(s) filing the Alaska return. The copy must be of the return **actually filed** with the Internal Revenue Service for the same taxable year. If the federal return of the taxpayer was part of a consolidated return, submit a copy of the consolidated federal return in which the taxpayer was included. Affiliated taxpayers electing to file an Alaska consolidated return must include a complete copy of each federal income tax return of those corporations filing the Alaska return. **A pro forma return will not fulfill this requirement. Failure to provide the required federal return(s) will result in the Alaska return being deemed incomplete.**

**Note:** If the federal return exceeds 50 pages, a corporation must submit the following portions of the required federal return in lieu of the entire federal return:

1. A copy of pages 1 through 4 of federal Form 1120, 1120S, 1120F, etc. for the tax year. Attach copies of schedules and attachments filed in response to questions 3 and 5 of Form 1120, Schedule K.
2. Schedule D and supporting schedules.
3. Credits: If claimed on the Alaska return, include copies of Form 3800, along with applicable supporting federal Forms and schedules for each credit reported on Form 3800.
4. Other Taxes: Form 4626 with supporting schedules and attachments. Include Form 8827 with supporting schedules and attachments if applicable.
5. Extension: Form 7004 if applicable.
6. Where a consolidated federal return is filed, attach copies of the schedules prepared for the computation of consolidated taxable income. The schedules must show the separate taxable incomes for each member of the

federal consolidated group with the consolidating eliminations and adjustments made to arrive at consolidated taxable income.

7. Form 851 and supporting schedules.
8. Form 2220 and supporting schedules.
9. Form 4797 and supporting schedules.

## **II. WATER'S EDGE COMBINED REPORTS**

### **COMBINED REPORT**

Whenever two or more corporations are engaged in a unitary business conducted within and outside Alaska, the members of the unitary group that are Alaska taxpayers must apportion the combined income of the group to measure their Alaska taxable income. Taxpayers using the combined method of reporting are urged to obtain a copy of Alaska's Guide to Returns Based on a Combined Report.

### **WATER'S EDGE METHOD OF REPORTING**

A water's edge report generally combines only those members of the world-wide unitary group that 1) have taxable nexus with Alaska, or 2) have a significant connection to, or presence in, the United States. In general, a water's edge group consists of all members of the unitary group that have an average U.S. factor of at least 20%. To construct the water's edge combined group, start with the taxpayer's world-wide affiliated group, remove non-unitary affiliates, then remove unitary affiliates that have less than 20% average U.S. factors.

The 20% U.S. factor threshold must be determined on a company-by-company basis and, unlike the apportionment factor, includes intercompany sales.

A corporation with taxable nexus in Alaska, but which does not have 20% or greater average U.S. factors, must file a return using the water's edge method of reporting in which it is combined with all members of the unitary group with 20% or greater U.S. factors. However, that taxpayer is not included in the water's edge combined group of any affiliated taxpayers because its average U.S. factors are less than 20%.

### **UNITARY GROUP OR UNITARY BUSINESS**

A business is unitary if the entities involved are under common direction (formal or informal) and activities within and without the state are contributory and complementary in nature, such that profits of the group are inextricably related. Tests of unitary determination include functional integration, centralized management, and economies of scale.

Determination of whether the activities constitute a unitary trade or business depends on the facts of each case. The following factors are considered to

be indications of a unitary trade or business, and the presence of **any** of these factors creates a presumption that the activities constitute a single trade or business.

1. **Same type of business.** Corporations are generally engaged in a unitary trade or business when the activities are in the same general line of business. For example, corporations that operate a chain of retail grocery stores are almost always engaged in a unitary business.

2. **Steps in a vertical process.** Corporations are engaged in a unitary trade or business when engaged in different steps in a vertically structured enterprise. For example, corporations that explore for and mine copper ores, concentrate, smelt and refine the copper ores, and fabricate the refined copper into consumer products are engaged in a unitary trade or business regardless of the fact that the various steps in the process are operated substantially independently of each other and with only general supervision from the executive offices.

3. **Strong centralized management.** Corporations that might otherwise be considered as engaged in more than one trade or business are engaged in one unitary trade or business when there is strong centralized management. Some indications of strong centralized management are: (a) the existence of centralized departments that perform the normal functions that a truly independent business would perform for itself, such as accounting, personnel, insurance, legal, purchasing, advertising or financing; or (b) centralized executive officers who are involved in planning, operations or coordination.

### **ALLOCATION AND APPORTIONMENT OF INCOME**

A taxpayer with business income attributable to sources within and outside Alaska must apportion such income. To calculate the apportionment percentage, use Schedule I - Apportionment Factor.

**Apportionment** refers to the division of business income among states by the use of an apportionment formula.

**Allocation** refers to the assignment of non-business income to a particular state.

Alaska applies both the transactional and functional tests of **business income**. Income resulting from transactions or activities that are within the regular course of the taxpayer's trade or business are

business income. Income from tangible or intangible property is business income, if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business. Income meeting either the functional or the transactional test is business income. Income from transactions or activity that is unusual or infrequent is not non-business income solely because of the unusual or infrequent nature of the income, activity, or transaction.

**Non-business income** is all income other than business income.

### **PREPARING A CONSOLIDATED RETURN**

Two or more Alaska taxpayers in the same affiliated group may elect to, or be required to, file a consolidated Alaska return (see "FILING A CONSOLIDATED RETURN" on page 3). The Alaska Department of Revenue offers Alaska's Guide to Returns Based on a Combined Report. The guide includes examples of filing a consolidated Alaska return for taxpayers using the combined method of reporting.

Alaska consolidated returns resemble, but do not mirror, the federal consolidated return. In an Alaska consolidated return the federal consolidation rules are applied very narrowly to construct the Alaska consolidated items; namely capital gain net income, charitable contributions, the dividends received deduction, income tax, credits, and other taxes. The federal consolidated return rules do not govern the building of combined income. Each taxpayer is required to determine its taxable income using the water's edge combined method of reporting. The taxable incomes of each taxpayer are then consolidated to comprise the consolidated Alaska return.

The water's edge group for each taxpayer within the consolidated group is determined by reference to the individual taxpayer. Taxpayers joining in a consolidated return usually have a common water's edge group. However, consolidated taxpayers may have distinct combined groups. **Separate combined reports are required for each unique water's edge combined group represented in the consolidated return.** Unique water's edge groups will exist for each distinct unitary business represented in the consolidated return. Unique water's edge groups may also exist within a single unitary group where one taxpayer has less than 20% average U.S. factors and is excluded from the water's edge group of every other taxpayer within that unitary group.

### **COMBINED AFFILIATES HAVING DIFFERENT ACCOUNTING PERIODS**

The income of all affiliates included in a combined report must be determined on the basis of the same accounting period. Generally, the accounting period used in the return should be that of the common parent. Where no common parent exists, the income of the combined affiliates should be determined on the basis of the taxpayer's annual accounting period.

Generally, when it is necessary to convert an affiliate to the annual accounting period of the taxpayer, an interim closing of the books should be made for the members whose accounting period differs from the common parent and/or taxpayer. If no substantial misstatement of income results, a pro-rata conversion may be used.

### **III. OTHER GENERAL INSTRUCTIONS**

#### **RETURN DUE DATE**

The Alaska return must be filed within thirty (30) days of the date on which the corporation's federal income tax return is required to be filed. Thus, the due date is not necessarily the 15th day of the month following the federal due date.

#### **EXTENSION OF TIME TO FILE**

A federal extension automatically extends the Alaska filing due date to thirty (30) days after the federal extended due date. AS 43.20.030(a). Be sure to attach a copy of your federal extension to your Alaska return. **An extension of time to file is not an extension of time to pay.**

#### **PAYMENT DUE DATE**

Full payment of the Alaska tax must be made on or before the 15th day of the third month after the close of the tax year. See instructions for payment of tax below.

#### **WHERE TO SEND THE RETURN**

Mail the return with attachments to:

Alaska Department of Revenue  
PO Box 110420  
Juneau, AK 99811-0420

#### **WHO MUST SIGN**

The return must be signed by an authorized officer of the corporation.

#### **ESTIMATED TAX**

Payment of estimated tax is required as provided under IRC Section 6655. Payments other than wire transfer payments must be accompanied by Alaska Form 04-711. A corporation that fails to pay the proper estimated tax when due will be subject to an underpayment penalty for the period of underpayment. If estimated tax was underpaid, complete and attach Form 04-708 Underpayment of Estimated Tax by Corporations.

#### **PAYMENT OF TAX**

The Department of Revenue offers electronic funds transfer through the Alaska State Automated Payment (ASAP) system. Information and forms

are available on our website at [www.tax.state.ak.us/forms/](http://www.tax.state.ak.us/forms/).

Payment must be made to the Alaska Department of Revenue, PO Box 110420, Juneau, AK 99811-0420. Payment should be submitted with the appropriate return or Form 04-711, and must be identified by name, address, tax year and federal Employer Identification Number (EIN).

#### **LARGE PAYMENTS**

When an estimated tax payment is \$100,000 or greater, or a payment with a return is \$150,000 or greater, payment must be made by wire transfer.

Notify the State of Alaska, Treasury Division by facsimile at (907) 465-4019 regarding the particulars of the transfer **the day before** the wire transfer is to be made.

Wire payments to:

State Street Bank & Trust Company  
Boston, Massachusetts  
ABA #011000028  
For Credit to the State of Alaska  
General Investment Fund, AY01  
Account #00657189  
Attention: Kim Chan, Public Funds

Contact the Alaska Department of Revenue's Treasury Division at the following address if additional information is required:

Cash Manager & Investment Officer  
Alaska Department of Revenue  
Treasury Division  
PO Box 110406  
Juneau, AK 99811-0406  
Telephone (907) 465-2360

Provide a contact number in advance to the Treasury Division if confirmation is desired.

#### **ALASKA INTEREST RATES ON TAX DUE**

June 16, 1976 - June 30, 1982:

8% per annum, simple interest

July 1, 1982 - October 30, 1991:

12% per annum, simple interest

October 31, 1991 to present:

11% per annum, compounded quarterly.

#### **AMENDED RETURNS**

A corporation may amend a prior year return by using Form 04-611X. If the federal return was also amended, a complete copy must be attached. An amended Alaska return is required if the federal return is amended.

## ADJUSTMENTS TO FEDERAL INCOME TAX LIABILITY

A corporation is required to report any alteration in, or modification of, the taxpayer's federal income tax return and of a recomputation of tax or determination of deficiency, whether with or without assessment. The amended return must be filed with full payment of any additional Alaska tax within 60 days after the final determination of the federal adjustment to avoid assessment of penalty for failure to file or pay. If the date that the adjustment is finalized is later than the date on federal Form 4549 or 4549A, the reason must be satisfactorily explained in order to avoid assessment of the penalty for failure to file or pay. An alteration to the taxpayer's federal income tax return includes any alteration to the return of any member of the combined group of the taxpayer.

**Note:** The taxpayer's obligation to report and pay additional tax resulting from adjustments to federal income tax liability is not affected by the expiration of the statute of limitations period for the taxpayer's original Alaska Corporation Net Income Tax Return.

## LATE FILING OF RETURN

A corporation that does not file its return by the due date, including extension, is subject to a failure to file penalty of 5% of the unpaid tax for each 30 day period or portion of a period the return is late, up to a maximum of 25%. The penalty will not be imposed if the failure to file was due to reasonable cause.

## LATE PAYMENT OF TAX

A corporation that does not pay the full amount of tax due within 2-1/2 months after the close of the tax year is subject to a failure to pay penalty of 5% of the unpaid tax for each 30 day period or portion of a period the payment is late, up to a maximum of 25%. If during any period or portion of a period, both the failure to file and failure to pay penalties are applicable, only the failure to file penalty is imposed.

## DISCLAIMER REGARDING FEDERAL CHANGES

At the time that this return was drafted, the complete set of 2000 U.S. Corporation Income Tax Return forms was not yet available. Therefore, references to lines and schedules on federal forms may not be accurate. Nothing in these instructions or associated forms should be read to conflict with Alaska statutes or regulations.

## SPECIFIC INSTRUCTIONS FORM 04-611

These instructions are generally applicable to the standard Form 04-611, but may be applicable to the short form, Form 04-611SF, as specified. Instructions specific to Form 04-

611SF follow the standard Form 04-611 instructions.

## TAXPAYER IDENTIFICATION

Enter the name and federal EIN of the taxpayer. If this is a consolidated Alaska return, enter the name and federal EIN of one taxpayer included in the consolidated filing. If the common parent of the federal consolidated group is an Alaska taxpayer included in this return, use its name and EIN. Otherwise select the taxpayer corporation with the largest Alaska presence. Continue to use that name and EIN for subsequent tax periods until the taxpayer leaves the Alaska consolidated group or the common parent becomes an Alaska taxpayer. If this taxpayer or consolidated group has previously filed under the name and EIN of a non-nexus common parent, change the designated taxpayer according to these instructions and complete Schedule B, question 4.

## CONTACT PERSON

Provide the name and telephone number of an individual to whom correspondence regarding this return should be directed. This must be an officer or employee authorized to receive confidential tax information. Generally, we cannot discuss tax matters with an outside party unless we have a Power of Attorney.

## ALASKA CORPORATION FILE #

Enter the taxpayer's Alaska Department of Community and Economic Development Corporation File Number which can be found on the corporation's biennial report, Alaska Certificate of Incorporation, or Certificate of Authority.

## RETURN DATA (Form 04-611 only)

Complete each question in the boxes as follows:

**Question #1:** A federal extension automatically extends the Alaska filing due date. If a federal extension is in effect for the taxpayer(s), check "yes" here and attach a copy of Form 7004 to the return.

**Question #2:** DO NOT check "yes" if the return is for an active taxpayer with inactive affiliates reporting on Schedule B, question #1. See "INACTIVE CORPORATION" in the General Instructions on page 2 for reporting requirements.

**Question #3:** Check "yes" if this corporation is not a member of an affiliated group and does not have business activity outside the state of Alaska. See General Instructions on page 2 for the definition of an affiliated group. If you check "yes", you should use the short form, Form 04-611SF.

**Question #4:** Refer to "WATER'S EDGE FILING" in General Instructions on page 3. If this is a combined return, check "yes" and complete Schedule B, question #1.

**Question #5:** Check "yes" if this is a consolidated return, and complete Schedule B, question #1. Do not check "yes" if this is a return of a single Alaska taxpayer that is included in a consolidated federal return.

## SCHEDULE A

### NET INCOME TAX SUMMARY

**Line 2, Alaska net operating loss deduction:** Enter the taxpayer's Alaska net operating loss carry-forward. Do not enter the federal net operating loss deduction. The Alaska net operating loss deduction may differ from the federal net operating loss as a result of state adjustments to federal taxable income, differences between the federal consolidated group and the water's edge combined group, and the amount of income or loss apportioned to other states. Attach a schedule showing, by year, when the net operating loss was generated and applied.

In general, the application of an Alaska net operating loss is governed by applicable Internal Revenue Code provisions.

**Line 8, Incentive Credits:** Include on line 8 the following Alaska specific incentive credits if applicable:

**Exploration Incentive Credit (Minerals):** Enter the credit allowable against your corporate net income tax from Form 04-665, Exploration Incentive Credit. The credit may not exceed the lesser of 50% of the following:

- corporation tax liability
- total mining license tax liability
- mining license tax liability related to production from the mining operation at which the mining exploration activity occurred.

**Oil and Gas Exploration Incentive Credit:** Enter the amount of credit extended under AS 41.09.010(a) to be applied against your corporate income tax, limited to your Total Tax from line 7 less any Exploration Incentive Credit (Minerals). Attach a copy of your credit extension(s) from the Commissioner of Natural Resources and specify the application of credit(s) to any other approved applications under AS 41.09.010(b).

**Lines 14 - 17, Penalties and Interest:** Refer to instructions on page 5.

**SCHEDULE B  
TAXPAYER INFORMATION  
(Form 04-611 only)**

**Question #1, Affiliated Taxpayer Information:** This schedule must be completed if the taxpayer is a member of an affiliated group. List each member of the affiliated group that had taxable nexus with Alaska during the year.

**Do not list affiliated corporations that are not Alaska taxpayers.** Only corporations represented in the apportionment factor numerator should be identified as included in the return. Report all affiliates having nexus with Alaska whether or not the affiliate is included in this return or is a member of the same unitary group as the taxpayer. List the taxpayer shown on page one as taxpayer number 1. Sequentially number each listed taxpayer corporation.

**Column (c):** The Alaska Department of Community and Economic Development Corporation File Number may be found on the corporation's biennial report, Alaska Certificate of Incorporation, or Certificate of Authority.

**Column (e), Is this a report of a corporation that is inactive in Alaska?:** See General Instructions on page 3 for corporations registered to do business, but are inactive, in Alaska. If you are making a report of an inactive affiliate registered to do business in Alaska, indicate "Yes" or "Y" in this column and complete all other columns (a) through (i). Do not check "yes" for question #2 on page one. Complete columns (a)-(d) and (f)-(i) as if the corporation was an Alaska taxpayer. **Note: The filing of an information report for an inactive corporation does not constitute the filing of a return.**

If you need additional space to report all taxpayers and inactive affiliates, use additional copies of Schedule B or a schedule in compatible format.

**SCHEDULE C  
TAX PAYMENT RECORD**

Enter the dates and amounts of estimated tax payments made for the tax year. If a payment was made under a name and EIN different from the taxpayer shown on page one, identify the payor by entering in the margin to the right of the payment amount the taxpayer number corresponding to the payor from Schedule B, question #1. Total payments must equal Schedule A, line 11.

**SCHEDULE D  
ALASKA TAX COMPUTATION  
(Form 04-611 only)**

Enter any net capital gain from Schedule J, line 18 on Schedule D line 2.

**S Corporations:** Do not report built-in gains or excess net passive income taxes on Schedule D. Corporate-level taxes of S Corporations are reported on Schedule E.

**Personal Holding Companies:** The Alaska tax rate on Undistributed Personal Holding Company Income is 12.6%. Include this tax on Schedule D, line 4g (Form 04-611) or line 4 (Form 04-611SF) and attach a statement showing the tax calculation.

**SCHEDULE E  
OTHER TAXES  
(Form 04-611 only)**

**Lines 1 and 2, Alternative Minimum Tax (AMT), and Credit for prior year minimum tax:** Include on lines 1 and 2 the amount of the federal tax or credit that is applicable to Alaska. If the taxpayer does not file a federal consolidated return, or if the federal consolidated return group is wholly included in the water's edge combined group, enter in column A the federal tax from Form 4626 and/or credit from federal Schedule J.

If the federal consolidated return includes companies not included in the water's edge combined group, then the federal AMT and Credit for prior year minimum tax must be attributed based only upon those companies included in the water's edge combined group. Refer to Alaska regulation 15 AAC 20.135. Attach schedule(s) showing the computation.

**Line 2:** The credit for prior year minimum tax paid may not exceed the cumulative Alaska alternative minimum tax previously paid to Alaska since the 1987 tax year, net of prior years' alternative minimum tax credits. Attach a schedule showing prior years AMT paid and credits applied since 1987.

**SCHEDULE F – CREDITS**

**Line 1(e):** If line 1(a) includes 1 credits from an electing large partnership (Part 1 of Federal Form 3800), taxpayers must remove credits that Alaska does not adopt. . Alaska does not allow credits for backup withholding, investment credit, credit for employer social security and medicare taxes paid on certain employee tips, and the trans-Alaska pipeline liability fund credit. If the credit from an electing large partnership includes any unallowed credits, they must be removed here.

**SCHEDULE H - COMPUTATION OF  
ALASKA INCOME  
(Form 04-611 only)**

**Line 1:** Enter the income or (loss) from line 28 of the federal income tax return of the taxpayer. This should agree to the federal return required to be attached to the Alaska return. Taxpayers included in a consolidated federal return should enter line 28 of the federal consolidated return here on line 1.

If the taxpayer is not affiliated with another corporation, skip line two and enter the amount from line 1 on line 3.

**Line 2:** Taxpayers using the combined method of reporting (water's edge taxpayers) must complete line 2. Line two of Schedule H reports the income of the corporations that are added to or removed from those included in line 1 to arrive at the net income before modifications of the water's edge group. Skip directly to line 3 if the taxpayer is not required to use the combined method of reporting. Examples of returns based upon combined reporting, including consolidated returns, are presented in Alaska's Guide to Returns Based on a Combined Report.

**Line 2(a):** Enter the amount reported on line 28 of the federal tax return(s) of all domestic corporations that are members of the taxpayer's water's edge group which are not included in line 1. You must attach a schedule, by-company.

**Line 2(b):** Enter the income of unitary foreign corporations of the water's edge group. Include any foreign corporation with 20% or greater U.S. factors. You must attach a schedule, by company.

**Line 2(c):** Include the federal extraterritorial income exclusion from federal Form 8873. Enter the foreign sales corporation's profit including federally exempt foreign trade income and allowing for deductions attributable to exempt foreign trade income. Also report DISC and foreign tax haven corporation net income here.

**Line 2(d):** Remove the income or loss of companies included in line 1 that are not included in the unitary business of the taxpayer(s). You must attach a schedule, by company.

**Line 2(e):** Remove the income or loss of companies included in line 1 that are part of the taxpayer's unitary business but whose U. S. factors are less than 20%. You must attach a schedule, by-company.

**Line 2(f):** Enter the adjustment for intercompany transactions that are necessary to reflect the combined income of the water's edge group. The incomes of the companies represented in lines 1 through 2(e) may or may not include adjustments to, or the elimination of, intercompany profits as required under the combined method of reporting. An intercompany transaction of a federal consolidated group may not be an intercompany transaction of the water's

edge group. This may include the reversal of a consolidating elimination or adjustment from the consolidated federal return, the initiation of an elimination, or adjustment for inter-group transactions that are not reflected in the income reported on lines 1 or 2(a)-(e), or a combination of the two.

Alaska regulations provide that intercompany transactions between any two members of the combined group, if those two members join in a consolidated federal return, must be accounted for in the combined report in the same manner as the transaction is accounted for in the consolidated federal return. Refer to Alaska regulation 15 AAC 20.300(m).

The most common adjustment is for intercompany profits residing in beginning and ending inventory. Reverse end-of-year intercompany profit eliminations between corporations within and outside of the water's edge group to the extent they are included in the measure of income reported on lines 1 through 2(e). Reverse beginning-of-year intercompany profits on transactions between corporations within the water's edge combined group to the extent they were not reversed in the measure of income reported on lines 1 through 2(e).

**Line 6(b):** Enter the dividends between members of the Water's Edge Combined group that are included as income within Line 3 above. Do not eliminate dividends between members of a federal consolidated group that were eliminated in the federal consolidated return.

**Line 6(f):** Enter any non-business income or loss claimed and attach detailed schedules by category of income.

**Line 10:** Enter non-business income or loss allocated to Alaska and attach detailed schedules by category of income.

**Line 11(a):** Enter the taxpayer's Alaska capital gain net income and Section 1231 gains and losses from Schedule J, line 20.

**Line 11(b):** Enter the taxpayer's Alaska charitable contribution deduction from Schedule K, line 10.

**Line 11(c):** Enter the taxpayer's Alaska dividends-received deduction from Schedule L.

#### **SCHEDULE I APPORTIONMENT FACTOR (Form 04-611 only)**

Schedule I must be completed by taxpayers with business activity both within and outside of Alaska. If all business activity is within Alaska, skip lines 1-4 and enter 1.0 on line 5. Taxpayers using the combined method of reporting are required to include a schedule of

the combined apportionment formula in columnar format disclosing for each corporation the total property, payroll, and sales and the amount of Alaska property, payroll, and sales.

Divide the Alaska factor values in column A by the everywhere factor values in column B and enter the result in column C for lines 1, 2, and 3. Add column C lines 1, 2, and 3 and enter the result on line 4. Divide line 4 by the number of applicable factors (usually 3) and enter the result on line 5. All factor calculations (lines 1 – 5) should be rounded to the sixth decimal place. If both the numerator and denominator (columns A and B) of a factor are zero, disregard that factor and divide line 4 by the remaining number of factors and enter the result on line 5.

**Property Factor:** See 15 AAC 19.141-202.

The property factor is a fraction, the numerator of which is the value of real and tangible personal property owned or rented and used within Alaska during the tax year to produce business income. The denominator is the value of all real and tangible personal property owned or rented and used to generate business income.

Property used in the production of non-business income is not included in the factor. Construction in progress is not included in the factor.

Owned property is valued at its original cost averaged over the tax year. In general, original cost is the unadjusted basis for federal income tax purposes at the time of acquisition adjusted by subsequent additions, improvements, or partial dispositions. The average value of owned property is computed by averaging the property values at the beginning and end of the tax year. Rented property is valued at eight times the annual rents paid.

**Payroll Factor:** See 15 AAC 19.211-241.

The payroll factor is a fraction, the numerator of which is the compensation paid within Alaska during the tax year to produce business income. The denominator is the total compensation paid during the tax year to produce business income.

The term "compensation" means wages, salaries, commissions and any other form of remuneration paid directly to employees for personal services. Payments made to an independent contractor, or to any person not properly classified as an employee, are excluded.

**Sales Factor:** See 15 AAC 19.251-302.

The sales factor is a fraction, the numerator of which is the gross receipts derived during the tax year from transactions and activities attributable to Alaska in the regular course of the taxpayer's trade or business. The denominator is the total gross receipts derived during the tax year from transactions and activities in the regular course of the corporation's trade or business.

#### **SCHEDULE J – ALASKA CAPITAL AND SECTION 1231 GAINS AND LOSSES**

**(Form 04-611 only)**

Schedule J is used to calculate the taxpayer's Alaska net capital gain, capital gain net income, and ordinary net Section 1231 gain or loss. These gains and losses are measured after allocation and apportionment. Enter the taxpayer's current gains and losses, before any federal limitations, according to their character. Corporations that conduct business both within and without Alaska enter total gains and losses on lines 1, 5, and 11 and enter non-business capital gain or loss on lines 6 and 12 as appropriate. Enter the portion of non-business gain or loss that is allocable to Alaska on lines 8 and 14 as appropriate. Taxpayers using the combined method of reporting should report the gains and losses of the entire combined group.

**Line 2.** The taxpayer's non-recaptured net Section 1231 losses are based upon the apportioned Section 1231 gains and losses in prior years and may not correspond to the taxpayer's federal non-recaptured net Section 1231 losses.

**Line 9.** The Alaska capital loss carryover is the taxpayer's allocated and apportioned net capital losses from prior years. Do not enter the taxpayer's federal capital loss carryover from federal Schedule D.

**Line 17.** If line 10 is a gain and line 16 is a loss, offset the loss from line 16 against the gain from line 10 and enter the result, but not less than zero.

**Line 18.** If line 16 is a gain and line 10 is a loss, offset the loss from line 10 against the gain from line 16 and enter the result, but not less than zero. This is the taxpayer's net capital gain. Enter the taxpayer's net capital gain on line 2A of Schedule D.

**Line 20.** Add lines 17, 18, and 19 and enter the result on Schedule H, line 11(a).

#### **SCHEDULE K – ALASKA CHARITABLE CONTRIBUTION DEDUCTION**

The taxpayer's Alaska charitable contribution deduction may differ from its federal charitable contribution deduction as a result of allocation and apportionment, the 10% taxable income limitation, Alaska Education Credit contributions, and differences in carryover values. Schedule K is used to measure the taxpayer's Alaska charitable contribution deduction limited by its Alaska taxable income. Enter on line 1 the taxpayer's current charitable

contributions before any federal deduction limitations and exclusive of any federal excess contribution carryover. Enter the taxpayer's Alaska excess contribution carryover from prior years on line 6. Take the allowable charitable contribution deduction from line 10 to Schedule H, line 11(b).

#### **SCHEDULE L – ALASKA DIVIDENDS-RECEIVED DEDUCTION**

The Alaska dividends-received deduction is based upon the allocated and apportioned dividends included in Alaska taxable income and may be limited to Alaska taxable income. Taxpayers with non-business dividend income or who use the combined method of reporting must take extra care in determining their dividends-received deduction.

**Lines 8 and 9.** Enter the allocated and apportioned dividends from line 7, according to the appropriate deduction percentage in accordance with Internal Revenue Code Sections 243 – 247, in column A of line 8 and multiply across. Enter the sum of line 8a-d column C in line 9 and carry the deduction, subject to limitation based upon Alaska taxable income (Internal Revenue Code Section 246), to Schedule H line 11(c).

#### **SHORT FORM 04-611SF**

Form 04-611SF is available to non-affiliated corporations whose business activity is limited to Alaska. Corporations that are members of an affiliated group, or that have taxable nexus outside of Alaska, must file using the standard Form 04-611.

Form 04-611SF instructions below are limited to those that are unique to the short form. Where the standard and short forms are compatible, refer to the appropriate instruction to the standard Form 04-611.

#### **RETURN DATA**

**Question #1:** A federal extension automatically extends the Alaska filing due date. If a federal extension is in effect for the taxpayer, check "yes" here and attach a copy of Form 7004 to the return.

**Question #2:** See "INACTIVE CORPORATION" in the General Instructions on page 2 for reporting requirements.

**Question #3:** Refer to "AFFILIATED GROUP DEFINED" on page 2 of the General Instructions.

**Question #4:** See discussion of "WHO MUST FILE" in the General Instructions on page 2. If the taxpayer has taxable nexus outside of Alaska, it is required to use the standard Form 04-611 and may not file using Form 04-611SF.

#### **SCHEDULE A - SF**

**Line 6, Credits:** If the taxpayer is claiming general business credits, attach Schedule F page 4 of the standard Form 04-611 to this return. Enter 1.0 on Schedule F line 2 and complete the schedule.

**Line 9, Alaska Education Credit:** If the taxpayer is claiming an Alaska Education Credit, attach Schedule G from page 4 of the standard Form 04-611 to this return.

#### **SCHEDULE B - SF**

**Line 1:** Enter the income or (loss) from line 28 of the taxpayer's federal income tax return.

**Line 2(a):** Enter the amount of taxes based on or measured by net income that are deducted in the federal return.

**Line 2(b):** Enter any other state-specific additions to federal taxable income in reaching Alaska taxable income. Provide a detailed schedule of modifications by category. Qualified contributions for which an Alaska Education Credit is claimed (Schedule G, line 1) should be reported here.

**Line 3(c):** Enter other state-specific subtractions from federal taxable income in reaching Alaska taxable income. Provide a detailed schedule of modifications by category.

**Note:** Be aware that the charitable contribution and dividends-received deduction limitations are based upon the corporation's Alaska taxable income and not its federal taxable income. It is possible that state modifications, such as the income tax add-back, can affect these limitations such that the corporation's Alaska deduction is different from the deduction allowed on its federal Form 1120. Taxpayers using the short Form 04-611SF will encounter these differences infrequently. Generally, an Alaska modification is necessary if the corporation's charitable contribution or dividends-received deduction were limited on its federal return. Schedules K and L from page 6 of the standard Form 04-611 can be used to determine the Alaska charitable contribution and dividends-received deductions. Enter on lines 2(b) and 3(c) (as appropriate) the difference between the federal deductions included in lines 1 or 3(b) of Schedule B – SF and the Alaska deductions calculated on Schedules K or L.

#### **SCHEDULE D - SF**

**Line 2, Net Capital Gain:** If the taxpayer is reporting capital gain, complete Schedule J of the standard Form 04-611. Complete column C through line 18, and enter this amount on Line 2 of Schedule D.